

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6437

BILL NUMBER: HB 1201

NOTE PREPARED: Feb 19, 2003

BILL AMENDED:

SUBJECT: Pension Base for Police Officers and Firefighters.

FIRST AUTHOR: Rep. Cochran

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that the pension base for a police officer or firefighter includes the part of the officer's clothing allowance that exceeds \$600.

Effective Date: July 1, 2003.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: The fiscal impact of this provision is dependent on the increase which would occur in the pension base of first class salaries. The average clothing allowance overage on a statewide basis amounted to \$249. Based on available data from 1st, 2nd, and 3rd Class cities, it is estimated that the salary base may increase, on average, by \$249 due to clothing allowances in excess of \$600. (This assumes a salary base increase, for example, from \$35,500 to \$35,749 annually.) The fiscal impact of this change would be as follows:

	1925, 1937, 1953 Funds	Converted 1977 Plan	Non-Converted 1977 Plan
Increase in Actuarial Liabilities	\$14.96 M	\$2.19 M	\$4.46 M
Increase in Annual Funding	\$0.76 M	\$93,963	21% of payroll (would increase to 22.45%)
Approximate # Members Affected	11,232	891	12,123

The above costs are to the local units who have members in the funds affected. Pension benefits for police and firefighters are equivalent to 50% of the salary of a first class officer, as defined by each individual city. Cities and towns with members in the affected funds appropriate money from police and fire pension funds. The sources of these funds are property taxes, Motor Vehicle Excise Taxes, and Financial Institutions Taxes.

Explanation of Local Revenues:

State Agencies Affected: Public Employees' Retirement Fund as administrators of the Police and Fire Pension Funds.

Local Agencies Affected: Cities and Towns with members in the specific funds.

Information Sources: Doug Todd, of McCready and Keene, Inc., actuaries for the police and fire funds, 576-1508.

Fiscal Analyst: James Sperlik, 317-232-9866.

Additional Information/Definitions:

Old Plan: Members hired before May 1, 1977, who have not elected to convert to the benefit structure under the 1977 Act.

Converted: Members hired before May 1, 1977, who have elected to convert to the benefit structure under the 1977 Act.

Non-Converted 1977 Plan: Members hired after April 30, 1977, all of whom are covered by the benefit structure under the 1977 Act.

Actuarial Liability: The excess of the present value of all benefits thereafter payable under the system over the present value of future normal costs.

Funding: A systematic program under which assets are set aside in amounts and at times approximately coincident with the accruing of benefit rights under a retirement system.